

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. NO.: 3958-01
BILL NO.: HB 1870
SUBJECT: Taxation and Revenue - Property
TYPE: Original
DATE: April 3, 2000

FISCAL SUMMARY

ESTIMATED NET EFFECT ON STATE FUNDS			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
General Revenue	\$0	(\$45,437,463 to \$69,037,463)	(\$48,238,461 to \$73,238,461)
Blind Pension	\$0	(\$352,500)	(\$374,000)
State School Moneys	\$0	\$0	\$0
Total Estimated Net Effect on <u>All</u> State Funds	\$0	(\$45,889,963 to \$69,389,963)	(\$48,612,461 to \$73,612,461)

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
Local Government	\$0	Unknown	Unknown

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 4 pages.

FISCAL ANALYSIS

ASSUMPTION

Officials of the **Department of Revenue** stated that this proposal would not affect their agency.

Officials of the **State Tax Commission** estimated the possible fiscal effects of the proposal.

TAX officials noted that: 1) about 25% of Missouri's occupied residential housing units are occupied by persons 65 or older, and 2) increases in assessments for residential property have been about 12% in reassessment years (a projected \$3,100,000,000 for the FY 2001 reassessment, which would affect FY 2002). Assuming that over-64s account for 25% of the increase and an average tax rate of \$5.87/\$100 assessed value, the possible loss of tax by political subdivisions due to the freeze on the assessed value of residential property of over-64s would be approximately \$45,500,000 in FY 2002. The Blind Pension Fund Tax, which is \$.03/\$100 assessed value, would lose about \$232,500 in FY 2002. **Oversight** assumes losses would increase 6% in FY 2003.

TAX officials also noted that, excluding new construction, the increase in residential assessed value for the 1999 was \$1,247,000,000. Assuming a 3% CPI, the allowable increase under this proposal would have been \$470,000,000. Assuming that: 1) 75% of residential property owners are under 65 year of age(1990 census), 2) 61.3% of residences are owner occupied (1990 census), and 3) an average tax rate of \$5.87; the potential loss had this proposal been in effect in 1999 would have been about \$21,000,000. Assuming a 12% increase from 1999 to 2001, the potential loss for tax year 2001 (FY 2002) would be about \$23,500,000. The loss to the Blind Pension Fund Tax would be about \$120,000 for FY 2002.

TAX officials would also request one Audit Clerk to receive and analyze requests for payments from approximately 2,500 political subdivisions and certify for payment to the Office of Administration.

Oversight notes that a great deal of the loss due to limiting increases in assessed value to the increase in the Consumer Price Index would be offset by decreased tax rate ceiling rollbacks. (I.e. Since the increases in assessed value would be smaller, the tax rate rollbacks would be smaller.)

Officials of the **Department of Elementary and Secondary Education** noted that the decreased collections would increase the amount needed to fully fund the Foundation Formula. They note that "on the formula" districts could receive increased payments through the Formula and reimbursements from the state.

FISCAL IMPACT - State Government

FY 2001
(6 Mo.)

FY 2002

FY 2003

GENERAL REVENUE FUND

<u>Cost</u> - Reimbursements to Political Subdivisions	\$0	(\$45,500,000 to \$69,000,000)	(\$48,200,000 to \$73,200,000)
<u>Cost</u> - Increased Transfers to State School Moneys Fund	\$0	(Unknown)	(Unknown)
<u>Cost</u> - State Tax Commission (TAX)			
Personal Service	\$0	\$21,012	\$21,538
Fringe Benefits	\$0	\$6,461	\$6,623
Expense and Equipment	\$0	<u>\$10,000</u>	<u>\$10,300</u>
Administrative cost to TAX	\$0	(\$37,473)	(\$38,461)

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND*	<u>\$0</u>	<u>(\$45,537,473 to \$69,037,473)</u>	<u>(\$48,238,461 to \$73,238,461)</u>
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*Does not include increase to fully fund Foundation Formula

BLIND PENSION FUND

<u>Loss</u> - Reduced Collections	\$0	(\$352,500)	(\$374,000)
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ESTIMATED NET EFFECT ON BLIND PENSION FUND	<u>\$0</u>	<u>(\$352,500)</u>	<u>(\$374,000)</u>
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STATE SCHOOL MONEYS FUND

<u>Income</u> - Increased Transfers from General Revenue Fund	\$0	Unknown	Unknown
<u>Cost</u> - Increased distributions to School Districts	\$0	(Unknown)	(Unknown)

ESTIMATED NET EFFECT ON STATE SCHOOL MONEYS FUND	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
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FISCAL IMPACT - Local Government

FY 2001
(6 Mo.)

FY 2002

FY 2003

POLITICAL SUBDIVISIONS

L.R. NO. 3958-01
BILL NO. HB 1870
PAGE 4 OF 4
April 3, 2000

<u>FISCAL IMPACT - Local Government</u>	FY 2001 (6 Mo.)	FY 2002	FY 2003
<u>Income</u> - Reimbursements from State	\$0	\$45,500,000 to \$69,000,000	\$48,200,000 to \$73,200,000
<u>Income</u> - Increased payments through Foundation Formula	\$0	Unknown	Unknown
<u>Loss</u> - Property Tax Collections	\$0	(\$45,500,000 to \$69,000,000)	(\$48,200,000 to \$73,200,000)
ESTIMATED NET EFFECT ON POLITICAL SUBDIVISIONS	<u>\$0</u>	<u>Unknown</u>	<u>Unknown</u>

FISCAL IMPACT - Small Business

The possibility of changes tax rates would affect small businesses.


DESCRIPTION

This proposal would freeze assessed values of residential property owned by persons 65 years of age or older and would limit increases in assessed values of other owner-occupied residential property to the increase in the Consumer Price Index.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space. This proposal would affect Total State Revenue.

SOURCES OF INFORMATION

Department of Elementary and Secondary Education
Department of Revenue
State Tax Commission


Jeanne Jarrett, CPA
Director
April 3, 2000